

**CITY OF HOLYROOD, KANSAS**

Financial Statements With Independent Auditors' Report

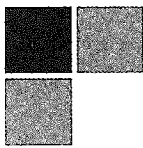
For the Year Ended December 31, 2011

**CITY OF HOLYROOD, KANSAS**  
Financial Statements With Independent Auditors' Report  
For the Year Ended December 31, 2011

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the City Council  
**City of Holyrood, Kansas**  
Holyrood, Kansas

We have audited the accompanying financial statements of **City of Holyrood, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **City of Holyrood, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **City of Holyrood, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Holyrood, Kansas**, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Holyrood, Kansas**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

*Adams, Brown, Beran & Ball, Chtd.*

**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

July 17, 2012

**CITY OF HOLYROOD, KANSAS**  
**Summary of Cash Receipts, Expenditures, and Unencumbered Cash**  
**For the Year Ended December 31, 2011**

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Fund Categories</b>							
<b>General Fund</b>	\$ 25,467	-	243,147	258,243	10,371	3,051	13,422
<b>Special Revenue Funds</b>							
Special Highway Fund	6	-	11,626	11,628	4	-	4
Recreation Fund	14,750	-	9,428	10,779	13,399	6	13,405
Capital Improvement Fund	34,117	-	10,000	12,500	31,617	-	31,617
Medical Building Fund	37,331	-	4,200	506	41,025	-	41,025
Equipment Reserve Fund	-	-	11,500	-	11,500	-	11,500
Park Refurbish Fund	-	-	5,161	-	5,161	-	5,161
<b>Debt Service Fund</b>							
Bond and Interest Fund	255	-	-	255	-	-	-
<b>Capital Project Funds</b>							
Holyrood Lake Fund	22,902	-	40,000	60,000	2,902	-	2,902
Demolition Grant Fund	8,712	-	35,040	43,645	107	-	107
<b>Proprietary Fund Category</b>							
<b>Enterprise Funds</b>							
Electric Utility Fund	78,603	-	344,929	340,462	83,070	17,140	100,210
Water Utility Fund	26,244	-	81,638	78,029	29,853	646	30,499
Sewer Fund	57,801	-	40,879	49,571	49,109	237	49,346
Sewer Reserve Fund	56,400	-	5,640	-	62,040	-	62,040
Trash Fund	6,127	-	35,149	35,241	6,035	-	6,035
<b>Fiduciary Fund Category</b>							
<b>Private Purpose Trust Fund</b>							
Park Shelter Fund	971	-	-	971	-	-	-
<b>Total Reporting Entity (Excluding Agency Funds)</b>	<u>\$ 369,686</u>	<u>-</u>	<u>878,337</u>	<u>901,830</u>	<u>346,193</u>	<u>21,080</u>	<u>367,273</u>
<b>Composition of Cash</b>							
Checking Accounts						\$	384,175
Agency Funds per Statement 4							<u>(16,902)</u>
<b>Total Reporting Entity (Excluding Agency Funds)</b>						<b>\$</b>	<b><u>367,273</u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Summary of Expenditures - Actual and Budget**  
**For the Year Ended December 31, 2011**

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
<b>Governmental Fund Categories</b>					
<b>General Fund</b>	\$ 267,722	-	267,722	258,243	(9,479)
<b>Special Revenue Funds</b>					
Special Highway Fund	12,250	-	12,250	11,628	(622)
Recreation Fund	11,350	-	11,350	10,779	(571)
Medical Building Fund	27,483	-	27,483	506	(26,977)
<b>Debt Service Fund</b>					
Bond and Interest Fund	1,498	-	1,498	255	(1,243)
<b>Proprietary Fund Category</b>					
<b>Enterprise Funds</b>					
Electric Utility Fund	342,117	-	342,117	340,462	(1,655)
Water Utility Fund	91,968	-	91,968	78,029	(13,939)
Sewer Fund	76,976	-	76,976	49,571	(27,405)
Trash Fund	41,592	-	41,592	35,241	(6,351)

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		Variance
	Prior Year			Over
	Actual	Actual	Budget	(Under)
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 124,005	126,646	127,010	(364)
Delinquent Tax	2,287	6,786	1,000	5,786
Motor Vehicle Tax	23,987	28,235	29,507	(1,272)
Recreational Vehicle Tax	737	813	973	(160)
Liquor Tax	2,767	956	-	956
Sales Tax	15,836	17,803	16,000	1,803
Fines	1,041	6,447	-	6,447
Rent	30	45	-	45
Beer Licenses	95	180	250	(70)
Gas and Cable Franchise	4,524	4,122	5,500	(1,378)
Dog Tags	1,408	1,797	1,400	397
Van Reimbursements	4,805	1,247	4,000	(2,753)
Other Income	2,548	6,426	3,500	2,926
Interest Income	8,220	2,118	11,000	(8,882)
Reimbursed Expenses	3,553	4,851	1,502	3,349
Fire Station Rent	660	420	100	320
State Grant	-	4,000	-	4,000
Operating Transfers	25,000	30,255	26,498	3,757
<b>Total Cash Receipts</b>	<b>221,503</b>	<b>243,147</b>	<b>228,240</b>	<b>14,907</b>
<b>Expenditures</b>				
Salaries	72,830	53,928	61,500	(7,572)
Employee Benefits	57,448	54,999	64,150	(9,151)
Insurance	5,779	7,542	6,000	1,542
Utilities	7,655	6,949	9,000	(2,051)
Accounting	8,613	8,980	9,000	(20)
Legal and Publishing	5,573	6,308	6,000	308
Cleaning	2,720	1,703	-	1,703
Animal	1,098	1,521	-	1,521
Property Taxes	-	4,561	-	4,561
Fire Station Room	-	227	-	227
Repairs	1,518	6,802	10,000	(3,198)
Supplies	5,270	4,191	7,000	(2,809)
Fuel	1,985	2,282	3,500	(1,218)
Van	4,782	4,624	6,000	(1,376)
Fire	21,655	21,228	18,000	3,228
Police	13,728	12,611	9,000	3,611
Street and Alley	9,946	39,416	25,000	14,416
Miscellaneous	10,332	7,270	10,000	(2,730)

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**General Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures (continued)</b>				
Capital Outlay	\$ 5,990	5,870	15,072	(9,202)
Law Enforcement	358	1,913	1,000	913
Economic Development	2,867	2,867	3,000	(133)
Noxious Weeds	2,795	951	4,500	(3,549)
Operating Transfers	-	1,500	-	1,500
<b>Total Expenditures</b>	<u>242,942</u>	<u>258,243</u>	<u>267,722</u>	<u>(9,479)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(21,439)	(15,096)		
<b>Unencumbered Cash - Beginning</b>	<u>46,906</u>	<u>25,467</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>25,467</u>	<u>10,371</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Special Highway Fund**  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
<b>Cash Receipts</b>				
State of Kansas - Gasoline Tax	\$ 11,925	11,626	12,250	(624)
<b>Expenditures</b>				
Salaries	12,003	11,628	12,250	(622)
<b>Cash Receipts Over (Under) Expenditures</b>	(78)	(2)		
<b>Unencumbered Cash - Beginning</b>	84	6		
<b>Unencumbered Cash - Ending</b>	\$ 6	4		

The notes to the financial statements are an integral part of this statement.



CITY OF HOLYROOD, KANSAS  
**Recreation Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 4,856	5,034	5,229	(195)
Delinquent Tax	77	164	75	89
Motor Vehicle Tax	753	864	903	(39)
Recreational Vehicle Tax	23	25	30	(5)
Local Alcoholic Liquor Tax	-	956	-	956
Miscellaneous	2,535	2,385	-	2,385
<b>Total Cash Receipts</b>	<b>8,244</b>	<b>9,428</b>	<b>6,237</b>	<b>3,191</b>
<b>Expenditures</b>				
Utilities	93	134	500	(366)
Supplies	50	55	2,000	(1,945)
Miscellaneous	311	2,000	200	1,800
Contractual Services	1,690	1,470	4,250	(2,780)
Capital Outlay	-	7,120	4,400	2,720
<b>Total Expenditures</b>	<b>2,144</b>	<b>10,779</b>	<b>11,350</b>	<b>(571)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>6,100</b>	<b>(1,351)</b>		
<b>Unencumbered Cash - Beginning</b>	<b>8,650</b>	<b>14,750</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 14,750</b>	<b>13,399</b>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Capital Improvement Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Operating Transfers	\$ 16,300	10,000
<b>Expenditures</b>		
Capital Outlay	229,005	12,500
<b>Cash Receipts Over (Under) Expenditures</b>	(212,705)	(2,500)
<b>Unencumbered Cash - Beginning</b>	246,822	34,117
<b>Unencumbered Cash - Ending</b>	\$ 34,117	31,617

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Medical Building Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Rent	\$ 4,200	4,200	4,200	-
<b>Expenditures</b>				
Maintenance	552	506	4,000	(3,494)
Contractual Services	-	-	100	(100)
Capital Outlay	-	-	23,383	(23,383)
<b>Total Expenditures</b>	552	506	27,483	(26,977)
<b>Cash Receipts Over (Under) Expenditures</b>	3,648	3,694		
<b>Unencumbered Cash - Beginning</b>	33,683	37,331		
<b>Unencumbered Cash - Ending</b>	\$ 37,331	41,025		

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Equipment Reserve Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Operating Transfers	-	11,500
<b>Expenditures</b>	-	-
<b>Cash Receipts Over (Under) Expenditures</b>	-	11,500
<b>Unencumbered Cash - Beginning</b>	-	-
<b>Unencumbered Cash - Ending</b>	\$ -	11,500

The notes to the financial statements are an integral part of this statement

**CITY OF HOLYROOD, KANSAS**  
**Park Refurbish Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Donations	\$ -	5,161
<b>Expenditures</b>	-	-
<b>Cash Receipts Over (Under) Expenditures</b>	-	5,161
<b>Unencumbered Cash - Beginning</b>	-	-
<b>Unencumbered Cash - Ending</b>	\$ -	5,161

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS  
 Bond and Interest Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 34,760	-	-	-
Delinquent Tax	619	-	-	-
Motor Vehicle Tax	6,756	-	-	-
Recreational Vehicle Tax	208	-	-	-
<b>Total Cash Receipts</b>	<b>42,343</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>				
Principal Payments	40,000	-	-	-
Interest Payments	2,200	-	-	-
Transfers Out	-	255	1,498	(1,243)
<b>Total Expenditures</b>	<b>42,200</b>	<b>255</b>	<b>1,498</b>	<b>(1,243)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>143</b>	<b>(255)</b>		
<b>Unencumbered Cash - Beginning</b>	<b>112</b>	<b>255</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 255</b>	<b>-</b>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Fire Station Grant Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>	\$ -	-
<b>Expenditures</b>		
Construction	2,067	-
<b>Cash Receipts Over (Under) Expenditures</b>	(2,067)	-
<b>Unencumbered Cash - Beginning</b>	2,067	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Holyrood Lake Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
State Aid	\$ -	40,000
Donations	10,000	-
<b>Total Cash Receipts</b>	10,000	40,000
<b>Expenditures</b>		
Contractual	-	60,000
Miscellaneous	2,098	-
<b>Total Expenditures</b>	2,098	60,000
<b>Cash Receipts Over (Under) Expenditures</b>	7,902	(20,000)
<b>Unencumbered Cash - Beginning</b>	15,000	22,902
<b>Unencumbered Cash - Ending</b>	\$ 22,902	2,902

The notes to the financial statements are an integral part of this statement.



CITY OF HOLYROOD, KANSAS  
Demolition Grant Fund  
Statement of Cash Receipts and Expenditures  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Reimbursements	\$ 8,712	-
Federal Aid	<u>-</u>	<u>35,040</u>
<b>Total Cash Receipts</b>	8,712	35,040
<b>Expenditures</b>		
Demolition	<u>-</u>	<u>43,645</u>
<b>Cash Receipts Over (Under) Expenditures</b>	8,712	(8,605)
<b>Unencumbered Cash - Beginning</b>	<u>-</u>	<u>8,712</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 8,712</u>	<u>107</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Electric Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Sales to Customers	\$ 334,531	332,588	300,000	32,588
Penalties	5,253	4,688	4,000	688
Reimbursed Expenses	70	6,644	500	6,144
Other Income	481	1,009	-	1,009
<b>Total Cash Receipts</b>	<u>340,335</u>	<u>344,929</u>	<u>304,500</u>	<u>40,429</u>
<b>Expenditures</b>				
Salaries	27,844	29,876	34,000	(4,124)
Health Insurance	4,265	4,199	8,000	(3,801)
Utilities	3,888	3,670	6,000	(2,330)
Supplies	4,090	8,490	7,500	990
Fuel	1,214	2,087	4,000	(1,913)
Miscellaneous	7,550	10,948	10,000	948
Power	223,245	232,085	218,000	14,085
Sales Tax	7,042	7,320	8,000	(680)
Insurance	2,211	2,863	3,500	(637)
Capital Outlay	-	8,924	6,617	2,307
Testing	-	-	1,500	(1,500)
Operating Transfers	27,500	30,000	35,000	(5,000)
<b>Total Expenditures</b>	<u>308,849</u>	<u>340,462</u>	<u>342,117</u>	<u>(1,655)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	31,486	4,467		
<b>Unencumbered Cash - Beginning</b>	<u>47,117</u>	<u>78,603</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>78,603</u>	<u>83,070</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Water Utility Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Sales to Customers	\$ 77,310	80,308	70,000	10,308
Penalties	1,235	1,176	1,000	176
Dividend Revenue	178	98	-	98
Other Income	83	56	100	(44)
Reimbursed Expenses	5	-	100	(100)
<b>Total Cash Receipts</b>	<b>78,811</b>	<b>81,638</b>	<b>71,200</b>	<b>10,438</b>
<b>Expenditures</b>				
Salaries	21,708	21,832	19,500	2,332
Utilities	7,841	8,818	9,000	(182)
Supplies	3,815	2,114	5,000	(2,886)
Miscellaneous	2,012	2,997	2,000	997
Sales Tax	644	707	1,000	(293)
Maintenance	466	979	4,000	(3,021)
Insurance	2,166	2,242	2,500	(258)
Testing	227	1,407	2,500	(1,093)
Revolving Loan Principal	10,376	10,751	10,751	-
Revolving Loan Interest	7,301	6,963	6,964	(1)
Revolving Loan Fee	791	755	827	(72)
Capital Outlay	6,992	8,464	17,926	(9,462)
Operating Transfers	13,800	10,000	10,000	-
<b>Total Expenditures</b>	<b>78,139</b>	<b>78,029</b>	<b>91,968</b>	<b>(13,939)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>672</b>	<b>3,609</b>		
<b>Unencumbered Cash - Beginning</b>	<b>25,572</b>	<b>26,244</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 26,244</b>	<b>29,853</b>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Sewer Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Sales to Customers	\$ 40,977	40,482	43,000	(2,518)
Dividend Income	127	49	-	49
Reimbursed Expenses	-	348	100	248
<b>Total Cash Receipts</b>	<u>41,104</u>	<u>40,879</u>	<u>43,100</u>	<u>(2,221)</u>
<b>Expenditures</b>				
Salaries	6,040	5,871	8,500	(2,629)
Insurance	1,102	1,163	-	1,163
Utilities	1,833	1,635	5,500	(3,865)
Supplies	348	145	4,000	(3,855)
Miscellaneous	466	-	3,000	(3,000)
Maintenance	577	2,501	7,000	(4,499)
Revolving Loan Principal	14,551	15,049	15,049	-
Revolving Loan Interest	6,867	6,406	6,406	-
Revolving Loan Fee	547	510	700	(190)
Testing	868	651	3,000	(2,349)
Capital Outlay	-	-	18,181	(18,181)
Operating Transfers	5,640	15,640	5,640	10,000
<b>Total Expenditures</b>	<u>38,839</u>	<u>49,571</u>	<u>76,976</u>	<u>(27,405)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	2,265	(8,692)		
<b>Unencumbered Cash - Beginning</b>	<u>55,536</u>	<u>57,801</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 57,801</u>	<u>49,109</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Sewer Reserve Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Operating Transfers	\$ 5,640	5,640
<b>Expenditures</b>	-	-
<b>Cash Receipts Over (Under) Expenditures</b>	5,640	5,640
<b>Unencumbered Cash - Beginning</b>	50,760	56,400
<b>Unencumbered Cash - Ending</b>	\$ 56,400	62,040

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS  
**Trash Fund**  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Sales to Customers	\$ 35,359	<u>35,149</u>	<u>36,500</u>	<u>(1,351)</u>
<b>Expenditures</b>				
Salaries	4,454	<u>5,109</u>	5,000	109
Collections	30,120	<u>30,120</u>	36,092	(5,972)
Other	-	<u>12</u>	<u>500</u>	<u>(488)</u>
<b>Total Expenditures</b>	<u>34,574</u>	<u>35,241</u>	<u>41,592</u>	<u>(6,351)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	785	<b>(92)</b>		
<b>Unencumbered Cash - Beginning</b>	<u>5,342</u>	<u>6,127</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>6,127</u>	<u>6,035</u>		

The notes to the financial statements are an integral part of this statement.

**CITY OF HOLYROOD, KANSAS**  
**Park Shelter Fund**  
 Statement of Cash Receipts and Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Reimbursed Expenses	\$ 180	-
<b>Expenditures</b>		
Miscellaneous	1,820	971
<b>Cash Receipts Over (Under) Expenditures</b>	(1,640)	(971)
<b>Unencumbered Cash - Beginning</b>	2,611	971
<b>Unencumbered Cash - Ending</b>	\$ 971	-

The notes to the financial statements are an integral part of this statement.

CITY OF HOLYROOD, KANSAS  
 Agency Funds  
 Summary of Cash Receipts and Cash Disbursements  
 For the Year Ended December 31, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Customers Fund	\$ 8,401	4,500	2,550	10,351
Fire Fund	2,166	27,501	23,116	6,551
	\$ 10,567	32,001	25,666	16,902

The notes to the financial statements are an integral part of this statement.



**CITY OF HOLYROOD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**City of Holyrood, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**Reporting Entity**

The City is a municipal corporation governed by an elected Mayor and five-member council. The financial statements of the City consist of all the funds of the City that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The City has no component units.

**Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

**Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2011.

**Governmental Fund Categories**

**General Fund** – to account for all financial resources except those required to be reported in another fund.

**Special Revenue Funds** – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

**Debt Service Fund** – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Capital Project Funds** – to account for financial resources that are to be used for the acquisition or construction of major capital facilities.

**Proprietary Fund Category**

**Enterprise Funds** – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed

**CITY OF HOLYROOD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Fund Categories**

**Private Purpose Trust Fund** – to account for assets held by the City as trustee or agent for others. The principal and income of this fund may be expended in the course of the fund's designated operations.

**Agency Funds** – to account for assets held by the City as trustee or agent for others.

**Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

**Departure From Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.

**CITY OF HOLYROOD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue funds: Capital Improvement Fund, Equipment Reserve Fund, and the Park Refurbish Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**Deposits and Investments**

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

**CITY OF HOLYROOD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$384,175 and the bank balance was \$384,064. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$255,478 was covered by federal depository insurance and \$128,586 was collateralized with securities held by pledging financial institutions' agents in the City's name.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2011.

**Compensated Absences**

**Vacation**

The City's policy regarding vacation is as follows:

After 1 year	5 days
2 - 10 years	10 days
11 and over	15 days

Vacation must be taken within the following year and may not be accumulated.

**Sick Leave**

The City's policy regarding sick leave is that employees are eligible for sick leave after six months. Employees can earn one day of sick leave per month. Sick leave can be accumulated up to 480 hours. Sick leave is not paid upon termination of employment.

**Comp Time**

Comp time is earned at a rate of 1 ½ hours per every hour worked over 40 hours during a one week period. Comp time must be taken as time off within a 60 day time period of the date earned.

**CITY OF HOLYROOD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Personal Days**

The City's full-time employees earn two personal days a year.

A potential liability for accumulated vacation, sick leave and comp time is shown on the schedule of long-term debt.

**Defined Benefit Pension Plan**

**Plan Description**

The City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

**Funding Policy**

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 was 7.74%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$8,127, \$7,145, and \$6,805, respectively, equal to the required contributions for each year as set forth by the legislature.

**Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

## CITY OF HOLYROOD, KANSAS

### Notes to Financial Statements

December 31, 2011

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust fund of the City for special purposes.

##### Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

#### NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Holyrood, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

From	To	Statutory Authority	Amount
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	\$ 1,500
Water Utility Fund	Capital Improvement Fund	K.S.A. 12-1,118	5,000
Water Utility Fund	Equipment Reserve Fund	K.S.A. 12-1,117	5,000
Electric Utility Fund	Capital Improvement Fund	K.S.A. 12-1,118	5,000
Electric Utility Fund	General Fund	K.S.A. 12-825d	25,000
Sewer Fund	General Fund	K.S.A. 12-825d	5,000
Sewer Fund	Sewer Reserve Fund	K.S.A. 12-631o	5,640
Sewer Fund	Equipment Reserve Fund	K.S.A. 12-1,117	5,000
Bond and Interest Fund	General Fund	Closing Fund	255

#### NOTE 3 – LITIGATION

**City of Holyrood, Kansas** is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

#### NOTE 4 – RISK MANAGEMENT

**City of Holyrood, Kansas** carries commercial insurance for risks of loss, including property, general liability, inland marine, workers' compensation, umbrella, automobile, linebacker and surety bond coverage. The City has elected to obtain comprehensive and collision coverage on all City owned motor vehicles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### NOTE 5 – GRANTS AND SHARED REVENUES

**City of Holyrood, Kansas** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received

**CITY OF HOLYROOD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 5 – GRANTS AND SHARED REVENUES (continued)**

may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

**NOTE 6 – COMPARATIVE DATA**

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Holyrood, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

**NOTE 7 – PRIOR YEAR RESTATEMENT**

The beginning unencumbered cash balance of the Fire Fund, which is an agency fund, was adjusted to reflect the beginning cash balance that had not been previously recorded on the City's records. The beginning unencumbered cash balance of the Fire Fund for 2010 was increased by \$2,166.

**NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The City did not pay interest on utility deposits held by the City, which is a violation of K.S.A. 12-822.

**NOTE 9 – LONG-TERM DEBT**

The **City of Holyrood, Kansas** has the following types of long-term debt:

**KDHE Revolving Loans**

The City entered into a revolving loan agreement with the Kansas Department of Health and Environment on September 28, 2000 for the purpose of adding a third cell to the existing two cell lagoon, replacement of a lift station and installation of a standby power generator. The City is in compliance with the loan covenants.

The City entered into a revolving loan agreement with the Kansas Department of Health and Environment on February 3, 2005 for the purpose of the installation of PVC pipe, flushing hydrants, ventilation system and all related connections and appurtenances. The City is in compliance with the loan covenants.

CITY OF HOLYROOD, KANSAS  
Notes to Financial Statements  
December 31, 2011

**NOTE 9 - LONG-TERM DEBT (continued)**

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>KDHE Loans</b>										
Kansas Water Pollution Control Revolving Loan Fund - Sewer	3.14%	9/28/2000	\$ 322,252	3/1/2022	\$ 207,740	-	(15,049)		192,691	6,406
Kansas Water Pollution Control Revolving Loan Fund - Water	3.58%	2/3/2005	255,911	2/1/2026	218,243	-	(10,751)		207,492	6,963
<b>Total Contractual Indebtedness</b>					425,983	-	(25,800)		400,183	13,369
<b>Compensated Absences</b>	N/A	N/A	N/A	N/A	23,258			(5,420)	17,838	
<b>Total Long-Term Debt</b>					<b>\$ 449,241</b>	<b>-</b>	<b>(25,800)</b>	<b>(5,420)</b>	<b>418,021</b>	<b>13,369</b>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	YEAR							
	2012	2013	2014	2015	2016	2017-2021	2022-2026	Total
<b>Principal</b>								
Kansas Water Pollution Control Revolving Loan Fund - Sewer	\$ 15,563	16,095	16,645	17,214	17,803	98,572	10,799	192,691
Kansas Water Pollution Control Revolving Loan Fund - Water	11,139	11,542	11,959	12,391	12,838	71,490	76,133	207,492
<b>Total Principal</b>	<b>26,702</b>	<b>27,637</b>	<b>28,604</b>	<b>29,605</b>	<b>30,641</b>	<b>170,062</b>	<b>86,932</b>	<b>400,183</b>
<b>Interest</b>								
Kansas Water Pollution Control Revolving Loan Fund - Sewer	5,929	5,437	4,927	4,400	3,855	10,422	170	35,140
Kansas Water Pollution Control Revolving Loan Fund - Water	6,613	6,250	5,874	5,484	5,080	18,815	6,293	54,409
<b>Total Interest</b>	<b>12,542</b>	<b>11,687</b>	<b>10,801</b>	<b>9,884</b>	<b>8,935</b>	<b>29,237</b>	<b>6,463</b>	<b>89,549</b>
<b>Total Principal and Interest</b>	<b>\$ 39,244</b>	<b>39,324</b>	<b>39,405</b>	<b>39,489</b>	<b>39,576</b>	<b>199,299</b>	<b>93,395</b>	<b>489,732</b>